VIS
Credit Rating Company Limited

AJ POWER (PRIVATE) LIMITED

ANALYST:
Musaddeq Ahmed Khan
(musaddeq@vis.com.pk)

RATING DETAILS				
RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM
ENTITY	AA-	A1	A+	A2
RATING OUTLOOK	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	September 21, 2026		September 12, 2025	

SHAREHOLDING 5% OR MORE	OTHER INFORMATION
Ali Khan Tareen – 55%	**Incorporated in** 2015
Muhammad Rafique – 20%	Private Limited Company
Almas Hyder – 18.75%	**External Auditor:** Riaz Ahmad, Saqib, Gohar & Co. Chartered Accountants
Zia Hyder Naqvi – 6.25%	**Chief Executive Officer:** Mr. Almas Hyder

APPLICABLE RATING CRITERIA

VIS Entity Rating Criteria Methodology – Corporates
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

APPLICABLE RATING SCALE

https://docs.vis.com.pk/docs/VISRatingScales.pdf

RATING RATIONALE

AJ Power (Private) Limited's ('AJPPL' or 'the Company') ratings reflects its stable operating profile, supported by a long-term Energy Purchase Agreement (EPA) with Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) on a take-or-pay basis, backed by a sovereign guarantee from the Government of Pakistan (GoP). The contractual framework, including compensation for non-project missed volumes (NPMV), provides strong revenue visibility and mitigates counterparty and demand-related risks. The Company's solar plant has demonstrated consistent operational performance, with high plant availability and generation remaining above benchmark requirements. Operational risks are further mitigated through a dedicated O&M arrangement with an experienced contractor, supported by performance guarantees and liquidated damages provisions. Financial risk has strengthened on the back of continued debt amortization, accumulation of retained earnings, and limited working capital requirements inherent to the renewable energy business model. Consequently, the capital structure and debt servicing capacity have improved, while liquidity remains sound due to predictable tariff-based cash flows and the absence of significant expansion or capital expenditure requirements.

COMPANY PROFILE

AJ Power (Private) Limited ('AJPPL' or 'the Company') was incorporated in 2014 and the primary activity of the Company is to build, operate and maintain a solar power plant with a total capacity of 12 MW located in Adhi Kot, District Khushab. The head office of the Company is in 2-A, Expo Tower, Block H-3, Johar Town Lahore.

The Project has been granted a generation License from National Electric Power Regulatory Authority (NEPRA), valid up to 2042. The solar farm has an installed capacity of 12 MWp. It is equipped with polycrystalline PV modules and String Inverters, that are arranged in fixed tilt blocks. Accurate pre-calculation of the power producing facility significantly reduces the danger of any Performance Ratio (PR) deficiency. The Commercial Operation Date was achieved on December 13, 2017, within stipulated time.

MANAGEMENT & GOVERNANCE

GOVERNANCE

The Board of Directors comprises four members, with no independent director or female representation. Meetings are held on a quarterly basis, during which audit committee functions are carried out. As a private limited company, the entity is not subject to the mandatory corporate governance framework applicable to listed entities; however, enhancement in governance practices, particularly through the inclusion of independent representation, remains an area for improvement.

AUDIT OPINION

Riaz Ahmad, Saqib, Gohar & Co. Chartered Accountants categorized as 'Category B' on SBP's Panel of Auditors and with a satisfactory QCR rating from ICAP, has provided an unqualified opinion for the year ended Jun'26.

BUSINESS RISK

INDUSTRY

The business risk profile for Pakistan's renewable energy sector is assessed as low to medium, reflecting stable regulatory support through long-term contracts, despite a rapidly evolving technological and regulatory landscape. As of March 2026, the country's total installed power generation capacity reached 49,651 MW, indicating an 8.5% year-on-year increase. The energy mix continues to diversify, with thermal power accounting for 49.2% of total capacity, followed by hydel at 23.4%, renewables (including utility-scale solar, wind, and biomass) at 20.3%, and nuclear at 7.1%.

Growth in the sector is increasingly dominated by decentralized renewable energy. During FY26, out of approximately 2,800 MW of new capacity additions nationwide, an estimated 2,633 MW (roughly 94%) was attributed to distributed solar net metering. Between 2023 and 2025, distributed solar generation more than tripled, contributing significantly to an increase in solar's share of the overall electricity mix from 10% to 28%. This profound shift is primarily driven by improvements in panel efficiency, rapidly decreasing equipment costs, and consumer responses to rising retail grid tariffs.

Regulatory risk remains a prominent factor, highlighted by NEPRA's recent shift from a traditional 1:1 net metering framework to a net billing system under the Prosumer Regulations 2026, which significantly lowers the buyback rate for exported rooftop solar. However, for utility-scale independent power producers (IPPs) like AJPPL, these regulatory risks are effectively mitigated. Tariffs for established IPPs are fixed under long-term Energy Purchase Agreements (EPAs) backed by sovereign guarantees, insulating these projects from retroactive policy shifts that could impact debt servicing capabilities. Furthermore, utility-scale solar projects are not exposed to recurring capital expenditures once commissioned, with maintenance requirements firmly embedded within standardized O&M contracts.

While the aggressive consumer-level adoption of distributed solar poses a potential technology and demand-substitution risk for the broader national grid by impacting overall daytime baseload demand, the competition risk for incumbent renewable IPPs remains minimal. Their must-run status, lower comparative generation costs, and long-term 'take or pay' contracts inherently protect them from demand-side fluctuations.

ENERGY PURCHASE AGREEMENT

AJPPL signed a 25-year energy purchase agreement (EPA) with the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) on September 8, 2016, on a 'take or pay' basis. The agreement includes adequate insurance for force majeure events and ensures compensation from CPPA-G for Non-Project Missed Volumes (NPMV) due to Non-Project Events (NPE). During FY26, NPMV revenues were recognized when due and invoiced alongside actual energy delivered. The obligations of CPPA-G under the EPA are backed by a sovereign guarantee from the Government of Pakistan (GoP) through the Implementation Agreement (IA), which effectively mitigates counterparty credit risk. This long-term EPA, combined with the sovereign guarantee and NPMV coverage, continues to provide strong assurance regarding offtake consistency and revenue stability.

O&M CONTRACTOR

AJPPL's plant operations and maintenance continue to be managed by Hanersun Pakistan (Private) Limited (formerly CSUNPOWER Pakistan (Private) Limited) under a dedicated O&M agreement initially signed in September 2016. Hanersun Pakistan is a subsidiary of the Chinese firm Hanersun (formerly CSUNPOWER), which has a 15-year global track record managing 500MWs of photovoltaic farms.

The O&M contract is renewed on an annual basis and operates on a fixed monthly payment structure. Reflecting annual contractual adjustments, total O&M charges for FY26 increased to PKR 37.8 million (FY25: PKR 36.0 million). As per the agreement, fixed monthly payments become due and payable within 30 days of AJPPL receiving the invoice.

To safeguard operational performance, the Company continues to withhold a predetermined amount from each O&M invoice as retention money. At the close of FY26, retention money payable stood at PKR 2.79 million (FY25: PKR 2.70 million). This aggregate retention is released only upon satisfactory evaluation of guaranteed technical parameters, specifically the plant's uptime warranty and the guaranteed Performance Ratio (PR). In the event of non-compliance, the O&M contractor is contractually liable for liquidated damages, ensuring strict adherence to minimum plant availability requirements.

OPERATIONS

The operational performance of the plant remained stable throughout FY26. The facility operated consistently above the benchmark capacity factor of 17%. Total actual energy delivered, including Non-Project Missed Volume (NPMV), stood at 17,810 MWh for FY26 (FY25: 18,027 MWh), as acknowledged by CPPA-G. This total generation comfortably exceeded the benchmark energy requirement of 17,208 MWh for the year. Furthermore, NPMV recognized during FY26 was 40.4 MWh (FY25: 2.0 MWh), highlighting reliable plant availability even amidst external non-project events. The plant also maintained an availability factor of 99.70% during the year, remaining relatively stable compared to 99.73% in FY25. The Load Dispatch Factor also remained strong at 99.77% (FY25: 99.90%).

PROFITABILITY

The Company's topline during FY26 contracted marginally to PKR 528.09 million (FY25: PKR 546.89 million), primarily a function of a slight dip in overall generation dispatch which reduced the core Energy Purchase Price revenue to PKR 511.76 million (FY25: PKR 523.63 million). This base revenue was supplemented by Non-Project Missed Volume (NPMV) receipts recorded at PKR 1.17 million (FY25: PKR 0.52 million). Additionally, the Company has received tariff adjustment of PKR 11.22 million (FY25: PKR 16.03 million) in lieu of reimbursement for withholding tax on dividends. Cost of sales for the year stood at PKR 136.47 million (FY25: PKR 133.24 million), dominated by steady depreciation expenses of PKR 86.53 million (FY25: PKR 85.13 million) alongside routine fixed operation and maintenance (O&M) charges of PKR 37.80 million (FY25: PKR 36.0 million). Despite the mild increase in direct costs against a lower revenue base, gross margins remained at 74.2% (FY25: 75.6%).

Operating overheads were effectively contained during the period, with administrative expenses declining to PKR 28.50 million (FY25: PKR 31.00 million). Other income was recorded at PKR 31.45 million (FY25: PKR 43.96 million), derived predominantly from markup on investments and profit on saving accounts. This slight contraction in operational profitability was partially counterbalanced by a substantial reduction in finance costs, which declined significantly to PKR 42.00 million (FY25: PKR 65.69 million). This drop in financial charges reflects the progressive repayment of outstanding debt facilities, providing meaningful support to overall profitability. With the taxation charge also dropping to PKR 7.61 million (FY25: PKR 12.75 million), the Company successfully sustained a resilient net profit margin of 63.8% (FY25: 62.3%) for the year.

FINANCIAL RISK

CAPITAL STRUCTURE

The capitalization profile of the Company continued its strengthening trajectory as of Jun'26, intrinsically shaped by its renewable energy operational structure that demands minimal working capital and relies primarily on a mix of equity and long-term debt. Total equity expanded to PKR 1,649.27 million (Jun'25: PKR 1,504.86 million), driven largely by the steady accumulation of profit after dividend payout of PKR 192.37 million (FY25: PKR 149.62 million) as of Jun'26. The Company's long-term debt consists of a foreign currency syndicated term finance loan and a local currency loan acquired under the State Bank of Pakistan's (SBP) renewable energy financing scheme. Driven by scheduled, periodic repayments, total outstanding debt decreased substantially during the year to PKR 342.42 million (Jun'25: PKR 577.74 million), with the current portion recorded at PKR 229.93 million as of Jun'26. Both the loans are subject to be repaid by Dec'27. As a direct consequence of this persistent debt amortization and simultaneous equity accretion, the Company's capital structure improved significantly; the gearing ratio dropped sharply to 0.21x (FY25: 0.38x), while the leverage ratio similarly improved to 0.24x (FY25: 0.42x).

DEBT COVERAGE & LIQUIDITY

The Company's coverage profile showed marked improvement during FY26, with the Debt Servicing Coverage Ratio (DSCR) strengthening to 1.53x compared to 1.41x in FY25. This enhancement was primarily supported by an increase in Funds from Operations (FFO) to PKR 375.41 million (FY25: PKR 360.04 million), reinforcing the Company's highly comfortable debt servicing capacity. Consequently, the FFO to Total Debt metric surged to an impressive 1.10x (FY25: 0.62x), a direct result of the rapidly contracting debt base. Liquidity metrics remain fundamentally sound, underpinned by the predictable, tariff-driven cash flow generation of the solar plant and the structural absence of any major capacity expansion or capital expenditure requirements. The current ratio edged upward to 1.68x (FY25: 1.62x).

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	AJ Power (Private) Limited
Sector	Renewable Energy
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
21-09-2026	AA-	A1	Stable	Upgrade
12-09-2025	A+	A2	Stable	Reaffirmed
19-08-2024	A+	A2	Stable	Upgrade
19-07-2023	A	A2	Stable	Reaffirmed
29-03-2023				Suspended
14-03-2022	A	A2	Stable	Upgrade
23-02-2021	A-	A2	Stable	Initial

Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Khalil Ahmad Hashmi	Chief Financial Officer/Company Secretary	11 September 2026
Mr. Muhammad Shahid	Director Operations	
Mr. Muhammad Asif	A.M Finance	